

## Insourcing vs Outsourcing: Why the OCIO model is gaining ground for Single Family Offices

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October 2025

At Capricorn Private Investments, we provide investment advisory services to a select group of families of significant wealth, foundations, trusts and other institutions. Our client base broadly falls into one of two distinct categories:

- i. *Discretionary portfolios*  
These clients seek long-term, sensibly risk-managed investment portfolios. They prefer not to be involved in day-to-day investment decisions but still require clear, timely reporting and effective portfolio oversight
- ii. *Outsourced CIO ('OCIO') relationships*  
These clients are typically single family offices (SFOs) in their own right, established by successful entrepreneurs, who value a highly customised investment advisory relationship while retaining final decision-making authority in-house. The OCIO model allows them to maintain control without the need to build and manage a full-scale internal investment team

We have seen significant growth in demand for OCIO services in recent years, from both families and institutions with smaller in-house teams, such as charities and foundations. Within this short article we examine the rationale for this trend, the choices available to single family offices for investment implementation and discuss why we believe an OCIO model can offer a 'best of all worlds' option.

### *What is an Outsourced Chief Investment Officer (OCIO)*

Fundamentally, an outsourced CIO ('OCIO') serves to provide a full-service investment offering, equivalent to that of an in-house investment team, typically headed by a chief investment officer. As a dedicated, professional investment team to multiple clients, an outsourced CIO can be an attractive option for institutions and family offices, enabling them to utilise existing resources efficiently, while benefiting from independent external expertise at a meaningfully lower cost than either scaling their own team or fully delegating responsibility to discretionary managers.

An effective OCIO should simplify life for employees and principals of these smaller, entrepreneurial institutions, by relieving an in-house team of the need to manage or implement investment decisions on a

day-to-day basis, without adding additional complexity of hiring and managing additional in-house staff. We encourage our OCIO clients to regard our role as an extension of their existing team, capable of understanding the specific requirements of the family principal, while also offering a resource for objective investment advice and access; in other words, *an investment partner, not a service provider*.

We see the primary benefits of this relationship to the client as follows:

- *Complementing and supplementing existing team capabilities:* Leverage internal skillsets, and add experience and knowledge on asset classes where internal team may be less familiar, without increasing headcount; allows internal team to focus on strategy, governance, and family needs, or their own asset class expertise
- *Cost efficiency:* Economies of scale from partnering with an OCIO with broader client base typically leads to reduced ongoing operational and investment costs
- *Improved access to investment opportunities:* Direct access to institutional-quality managers and deals, without the additional layer of access fees charged by private banks
- *Improved discipline and governance:* Formalised investment decision-making and discipline, avoiding ad hoc or emotion-based decisions
- *Maintains principal control:* Ultimate investment control remains with family principal and their trusted advisers, while broadening institutional knowledge

### *The SFO Challenge: Large AUM, lean teams*

The hackneyed saying 'when you have seen one family office, you have seen one family office' is intended to highlight the myriad differences in approach and set-up between individual SFOs. While this trite phrase does have an element of truth to it, in our experience there are also many structural issues and challenges faced by single family offices that are common to many. Chief among these is that no matter the size of the assets they oversee, most SFOs are ultimately small enterprises with lean in-house teams, often composed of generalists wearing multiple hats.

This approach is typically a reflection of the principal's entrepreneurial ethos: keeping overheads low and maintaining tight control. While this is prudent in many respects, it can inadvertently create inefficiencies and risks producing suboptimal investment outcomes.

From an investment perspective an excessively lean team that is not dedicated full time to investments can often lead to less joined-up investment execution, with decisions potentially subordinate to other concerns. Counter-intuitively, a smaller team can lead to unintentionally higher expenses being incurred on investment portfolios through inefficient allocations, excessive diversification or duplications, and insufficient consideration as to ongoing fee loads and transaction costs.

## Options for investment implementation

Before deciding on an investment governance model, principals and trustees must weigh:

- *What is an acceptable all-in fee budget for my investment activities?*  
Includes direct costs (employment costs, management fees) and indirect costs (underlying investment fees and costs)
- *Who has ultimate accountability for investment performance?*  
Principal, trustees, CEO / CFO, or a combination? i.e. who carries the can for failure to meet investment objectives

The answers to the above questions will heavily influence the most suitable route. Broadly speaking, we see three potential investment implementation models:

<i>Model</i>	<i>Control</i>	<i>Costs as proportion of assets</i>	<i>Typical investible asset range</i>	<i>Description</i>
<b>Full In-house Team</b>	<b>High</b> – all decision-making retained in-house	<b>High</b> – high fixed employment costs plus investment costs	\$2bn+	Build a dedicated multi-asset investment team internally. Ideal for very large SFOs or those with an institutional mindset. Potentially difficult to attract top investment talent
<b>Full Delegation</b>	<b>Low</b> , beyond the decision to appoint discretionary manager(s)	<b>High</b> – discretionary fees charged on overall AUM	\$100m+	Engage one or more private banks or discretionary managers to handle all investment decisions. Can suit clients with little desire to influence individual investment decisions. Can lack customisation, transparency, nor sufficiently concentrated exposure to outperform an index at greater cost
<b>Outsourced CIO (OCIO)</b>	<b>High</b> - some authority delegated to OCIO but ultimate decision with principal	<b>Lower</b> – typically flat advisory fee or lower AUM fee structure	\$300m+	Partner with a dedicated external advisor to act as a full-service extension of existing in-house capability, while retaining decision-making control internally. Potentially less efficient than full delegation – ongoing decision-making required

## Why should families consider appointing an OCIO?

For SFOs navigating the complexity of managing large pools of capital with lean teams, the OCIO model represents a compelling solution by delivering efficiency without sacrificing control, full customisation and total transparency on investment performance. Ultimately, an OCIO empowers families to pursue their investment goals with greater confidence, clarity, and cost-awareness—while preserving the values and control that define the family office model.

## About Capricorn Private Investments

Capricorn Private Investments is a London-based private investment office. We act as an outsourced investment partner to a select group of entrepreneurs and their families, both in a discretionary and advisory capacity. Our clients include some of the UK and Europe's most prominent entrepreneurs, charitable foundations and select institutional investors.

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